2002

Financial Report

CARDIOME

To Our Shareholders

Cardiome has been driven by its research commitment to improve patients' lives with safer, more effective medicines to combat heart disease. In 2002, we made a significant step forward in realizing this goal with the advancement of our internally discovered product RSD1235 in atrial arrhythmia and acquisition of a new product, oxypurinol, for congestive heart failure. Equally important, 2002 marked a critical year where we set the foundation for a commercially viable company. The in-hospital acute use formulation of RSD1235 is approximately three years from filing for commercialization. Oxypurinol in the meantime has commercial prospects beyond congestive heart failure and has been shown to be effective in treating gout patients who cannot tolerate the current gold standard for therapy.

The gout program represents an area where Cardiome can be opportunistic in exploiting near-term market opportunities and still remain focused on our long-term goals in building a preeminent, product-focused cardiovascular company. The commercial oxypurinol clinical package for gout is expected to be ready for filing for marketing approval in 2003 under an orphan drug designation granted by the FDA. Oxypurinol could be marketed in 2004, less than two years from the date the Company acquired the product.

Oxypurinol has been used in about 500 patients in the past 30 years in clinical trials and in compassionate release programs under previous sponsors. Since Cardiome acquired the compassionate use program, inquiries from physicians and patients have increased measurably, demonstrating an underlying demand by patients unable to tolerate allopurinol, the standard therapy for gout. We have testimonials describing the improvements in patients' lives in response to oxypurinol. Improvements include among others a lowering of uric acid levels in the blood, reductions in pain and the need for pain medication, reductions in flare-ups of the disease and an overall improvement in quality of life. Improvements while on oxypurinol include reductions in adverse reactions.

Cardiome is also developing oxypurinol for congestive heart failure, and these efforts have been aided by the extensive safety data generated from the previously mentioned gout program. In addition, since acquiring the oxypurinol for CHF program, published scientific literature has highlighted the potential role that our acquired products may play in cardiac disease. We believe that oxypurinol will be the first drug of its kind to treat congestive heart failure. The application of oxypurinol to congestive heart failure is protected by a broad patent held by Cardiome. This patent, invented by Dr. Eduardo Marbán of Johns Hopkins University, was issued in the United States on November 5, 1998. In addition, we have taken other important measures to ensure we have iron-clad protection from competition in this space.

While 2002 marked a turning point for Cardiome, we expect 2003 to be a year in which we will achieve important clinical, business and financial milestones that will directly reward our shareholders. We expect to complete a partnership for the commercialization of RSD1235, and remain confident of achieving this goal based on last September's outstanding clinical results. In the second half of 2003, we plan to start a Phase III study of RSD1235, signaling an important move forward toward commercialization. Oxypurinol will become a more visible product with the completion of a proof-of-concept study in congestive heart failure. We will recognize revenue in 2003 from the UCB Pharma agreement (announced September 19, 2002) and exercise prudent management of our expenses. Finally, we expect to submit a New Drug Application (NDA) for the use of oxypurinol in patients with allopurinol intolerant symptomatic hyperuricemia (gout). If successful, we could have a commercial product in 2004.

On behalf of the board of directors and employees of Cardiome, I want to thank our many institutional and individual investors who have supported our initiatives. We also thank the study investigators and patients who have participated in the clinical trials that validate the safety and efficacy of our clinical portfolio. We are unequivocally committed to rewarding the confidence of these investors, physicians and patients as we move into 2003.

Bob Rieder

Bob Rieder
President and CEO

The following information should be read in conjunction with the audited consolidated financial statements and related notes included therein.

OVERVIEW

Cardiome Pharma Corp. (the "Company" or "Cardiome") is a drug discovery and development company focused on developing proprietary drugs to treat or prevent cardiac diseases. The Company has three programs focused on arrhythmia and congestive heart failure ("CHF"), as well as a program, applying its CHF drug candidate, for the treatment of allopurinol intolerant hyperuricemia (or gout).

The Company's arrhythmia drug candidates are designed to stop and prevent future occurrences of arrhythmia by selectively targeting tissue found only in the upper chambers of the heart ("atrial arrhythmia"), and act to block specific ion channels, which are specialized pores in the membrane of cells. Cardiome's CHF drug candidate, Oxypurinol, is one of the class of drugs known to inhibit the enzyme xanthine oxide. Xanthine oxide is an enzyme that degrades a particular protein called xanthine oxidase, which is important to human heart function. The following table indicates the name of the Company's drug candidates, the therapeutic focus of the products and the stage of development of the projects:

Drug Candidate	Therapeutic Focus	Stage of Development
RSD1235	Atrial Arrhythmia	Phase II clinical trial completed
Kv1.5	Atrial Arrhythmia	Pre-clinical
Oxypurinol	Congestive Heart Failure	Phase II/III clinical trial initiated
Oxypurinol	Allopurinol Intolerant Hyperuricemia (gout)	NDA stage

ACQUISITION OF U.S. SUBSIDIARY

On March 8, 2002, the Company acquired 100% of the outstanding common shares of Cardiome, Inc. (formerly Paralex, Inc.), a development stage enterprise. The acquisition provides the Company with certain intellectual property rights, under a license from the Johns Hopkins University, relating to the use of xanthine oxidase inhibitors for treatment of congestive heart failure (the "CHF technology"), other cardiovascular disorders and neuromuscular disease. The acquisition also provides the Company with the rights, under an exclusive worldwide sublicense from ILEX Oncology, Inc. ("ILEX"), to ILEX's rights under its license agreement with Burroughs Welcome Co. and The Wellcome Foundations, Ltd. to oxypurinol for the treatment of hyperuricemia (gout) in humans who are intolerant of allopurinol. ILEX also granted the Company an exclusive license to certain safety and efficacy clinical data, know-how and an option to acquire additional efficacy clinical data of oxypurinol for the treatment of gout. Oxypurinol is one of the known xanthine oxidase inhibitor. The Company issued 8,203,396 common shares in exchange for all of the outstanding shares of Cardiome, Inc. The Company planned to use the combination of these licenses to expedite the development of the CHF technology directly into Phase II efficacy studies without having to do a Phase I clinical trial. The Company subsequently initiated a Phase II/III clinical trial in March 2003. As described in Note 4 to the audited consolidated financial statements for the year ended November 30, 2002, the acquisition has been accounted for using the purchase method of accounting and accordingly the results of operations have been included in the consolidated statement of loss and deficit from the date of acquisition.

CRITICAL ACCOUNTING POLICIES

The audited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). A reconciliation of amounts presented in accordance with United States generally accepted accounting principles ("U.S. GAAP") is described in Note 16 to the audited consolidated financial statements for the year ended November 30, 2002. These accounting principles require the Company to make certain estimates and assumptions. The Company believes that the estimates and assumptions upon which it relies are reasonable based upon information available at the time that these estimates and assumptions are made. Actual results could differ from these estimates. Areas of significant estimates include recognition of revenue, research and development costs and amortization of intangible assets.

The significant accounting policies that the Company believes are the most critical in fully understanding and evaluating the reported financial results include the following:

- Revenue recognition
- Research and development costs
- Intangible assets

Revenue recognition

Revenue to date has primarily been derived from licensing fees, which are comprised of initial fees and milestone payments from collaborative licensing arrangements. Non-refundable milestone payments are fully recognized upon the achievement of the milestone event when the Company has no further involvement or obligation to perform under the arrangement. Initial fees and milestone payments which require the Company's ongoing involvement are deferred and amortized into income over the estimated period of its ongoing involvement.

Research and development costs

Research and development costs consist of direct and indirect expenditures related to the Company's research and development programs. Research and development costs are expensed as incurred unless they meet generally accepted accounting criteria for deferral and amortization. The Company assesses whether these costs have met the relevant criteria for deferral and amortization at each reporting date.

Intangible assets

Intangible assets are comprised of purchased technology licenses, including those acquired in exchange for the issuance of equity instruments issued by the Company. Technology licenses are amortized on a straight-line basis over the estimated useful life of the underlying technologies of ten years. The Company determines the estimated useful lives for intangible assets based on a number of factors such as legal, regulatory or contractual limitations; known technological advances; anticipated demand; and the existence or absence of competition. The Company reviews the carrying value of its intangible assets on an annual basis to determine if there has been a change in any of these factors. A significant change in these factors may warrant a revision of the expected remaining useful life of the intangible asset, resulting in accelerated amortization or an impairment charge, which would impact earnings.

CHANGE IN ACCOUNTING POLICIES

Effective June 1, 2001, the Company changed its accounting policy for recognizing license fees to be consistent with U.S. GAAP, as clarified by Staff Accounting Bulletin 101 ("SAB 101") *Revenue Recognition in Financial Statements*, which was issued by the U.S. Securities and Exchange Commission in December 1999. License fees, which consist of initial upfront fees and milestone payments are deferred and amortized into revenue on a straight-line basis over the term of the relevant license or related underlying product development period if the Company has future involvement or obligation to perform under the arrangement, as described in Note 2 to the audited consolidated financial statements for the year ended November 30, 2002. Previously, the Company recognized upfront license fees and milestone payments as earned in accordance with the terms of the related agreement which was generally the period the payment was received. This change has been applied retroactively and all prior periods reported prior to the adoption of SAB101 have been adjusted accordingly.

Effective December 1, 2000, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes. The change has been applied retroactively and, as permitted, the comparative financial statements have not been restated. The change in accounting policy resulted in an increase in future tax assets, a decrease in technology, an increase in future tax liabilities and an increase in the deficit at December 1, 2000 of $428,000, Before the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation.

RESULTS OF OPERATIONS

For the fiscal year ended November 30, 2002 ("fiscal 2002"), the Company recorded a net loss of $14,029,706 ($0.60 per common share). These results compared with a net loss of $7,157,885 ($0.69 per common share) and $6,495,636 ($0.69 per common share) for the years ended November 30, 2001 ("fiscal 2001") and November 30, 2000 ("fiscal 2000") respectively. Since its inception in 1986, Cardiome has accumulated a total deficit of $44,425,816. The increase in operating losses since fiscal 2000 resulted principally from the expanded research and development activities in the Company's ongoing cardiac arrhythmia programs as well as the additions of the CHF program and gout program, as a result of its acquisition of Cardiome, Inc. (formerly Paralex, Inc.) as described in Note 4 to the audited consolidated financial statements for the year ended November 30, 2002. Increased business development and investor relations activities also contributed to the increase in operating loss. These results of operations were in line with management's expectations. The Company expects losses to continue for the next several years as it invests in its product research and development, including preclinical studies, clinical trials and regulatory compliance.

Revenues

Total revenue for fiscal 2002 increased to $1,805,409, compared to $285,165 and $227,458 for fiscal 2001 and fiscal 2000 respectively.

Research collaborative and licensing revenue increased to $1,768,409 for fiscal 2002, compared to $197,028 and $92,095 for fiscal 2001 and fiscal 2000 respectively. The current year increase was mainly attributable to the recognition of the remaining deferred revenue of $1,272,764 associated with the license agreement with AstraZeneca A.B. ("AstraZeneca") related to RSD1122, resulting from the termination of the license agreement on June 18, 2002. During fiscal 2002, the Company entered into a development and transfer agreement with UCB Farchim S.A. ("UCB") under which UCB purchased from the Company the exclusive rights to an anti-tussive program, one of the Company's discontinued programs. The amortization of $132,267 of the initial payment for this arrangement and contract research fees of $238,080 (US$150,000) for services provided to UCB also contributed to the increased research collaborative and licensing fees for fiscal 2002. See Note 13 to the audited consolidated financial statements for the year ended November 30, 2002. The amortization of deferred revenue related to the license agreement with AstraZeneca, which was entered into in November 2000, increased by $138,622 to $151,224 for fiscal 2001, as compared with fiscal 2000, was the primary reason for the increase in research collaborative and licensing fees for this fiscal year.

Grant income decreased to $37,000 for fiscal 2002, compared to $88,137 and $135,363 for fiscal 2001 and fiscal 2000 respectively. The decline of grant income in the two recent fiscal years was mainly due to the end of grant payments from the Science Council of BC in April 2001.

The Company does not anticipate revenues from product sales in the next several years. The Company expects its sources of revenue for the next several years will be payments under existing and new collaborative research and development agreements. The extent and timing of such additional research collaborative and licensing fees, if any, will depend on the overall structure and the development progress of the underlying technologies of these agreements, including the achievement of certain milestones by the Company's partners.

Research and Development Expenditures

Research and development expenditures increased to $10,146,508 in fiscal 2002, compared to $5,498,838 and $4,732,656 for fiscal 2001 and fiscal 2000 respectively. The increase in research and development expenditures for fiscal 2002 were primarily due to the newly acquired CHF program and gout program, as well as the expanded activities in connection with its ongoing cardiac arrhythmia programs.

Specifically, the increase of approximately $4,648,000 in research and development expenditure for fiscal 2002, as compared to fiscal 2001, was mainly attributed to the increase of spending in the RSD1235 program, the CHF project, the gout project and the Kv1.5 project by approximately $1,452,000, $2,101,000, $782,000 and $392,000 respectively; these increases were offset by a decline of spending in the discontinued projects by approximately $113,000. The increase of approximately $766,000 in research and development expenditure for fiscal 2001, as compared to fiscal 2000, was mainly attributed to the increase of spending in the RSD1235 program of approximately $1,389,000 offset by a decline of spending in the discontinued projects by approximately $623,000. The increases of expenditures in the RSD1235 program were primarily due to the cost associated with the completion of Phase II and Phase I clinical trial in fiscal 2002 and fiscal 2001 respectively.

The Company expects the research and development expenditures for the year ending November 30, 2003 ("fiscal 2003") to be approximately or slightly higher than those incurred in fiscal 2002. A significant portion of the research and development expenditures in fiscal 2003 will be incurred in the proof of concept study on an oral application of RSD1235, manufacture of additional RSD1235 drug supplies, the Phase II/III clinical trial on an oral application of Oxypurinol for the treatment of CHF, and reanalysis of the acquired clinical data of Oxypurinol for the treatment of gout. The Company is currently in the process of developing its strategy for a Phase III clinical trial for the intravenous application of RSD1235 which may involve a third party collaboration; therefore, cost estimates and estimated completion dates are not currently available. In the meantime, the Company will continue seeking partnerships with other pharmaceutical companies to help further develop and market this compound.

General and Administration Expenses

General and administration expenses for fiscal 2002 increased to $3,409,940, as compared to $1,741,193 and $1,569,044 for fiscal 2001 and fiscal 2000 respectively. The increase in general and administration expenses for fiscal 2002, as compared to fiscal 2001, was attributed to the increased expenditures of approximately $952,000 and $717,000 associated with the expanded business development and investor relations activities respectively. The increase in general and administration expenses for fiscal 2001, as compared to fiscal 2000, was primarily due to the costs related to the expanded corporate activities of approximately $252,000; this increase was offset by a decline of spending in investor relations activities of approximately $80,000. The Company expects general and administration expenditure for fiscal 2003 to be comparable to those incurred in fiscal 2002.

Amortization

The Company recorded $3,011,501 of amortization for fiscal 2002, compared to $550,097 and $917,288 for fiscal 2001 and fiscal 2000 respectively. The increase in amortization for fiscal 2002, as compared to fiscal 2001, was mainly due to the acquisition of capital assets and technology licenses and the additional write-off of patent costs resulting from the discontinuation of one of the cardiac projects in fiscal 2002. The decrease in amortization for fiscal 2001, as compared to fiscal 2000, was mainly due to the write-off of patent costs resulting from the discontinuation of non-cardiac projects in January 2001.

Other Income

Interest and other income increased to $632,834 for fiscal 2002, compared to $347,078 and $495,894 for fiscal 2001 and fiscal 2000 respectively. The increase in fiscal 2002, as compared to fiscal 2001, was due to the higher average cash and short-term investment balances resulting from the public equity offering in March 2002 while the decrease in fiscal 2001, as compared to fiscal 2000, resulted from the lower average cash and short-term investment balances.

LIQUIDITY AND CAPITAL RESOURCES

The Company's activities during fiscal 2002 were financed mainly by its working capital carried forward from the preceding fiscal year and the net proceeds collected from a recent public offering. On March 8, 2002, the Company successfully completed a public offering of 9,309,657 units (the "Units") of the Company at a price of $3.32 per Unit for gross proceeds of $30,908,061, as described in Note 11 to the audited consolidated financial statements for the year ended November 30, 2002. At November 30, 2002, the Company had working capital of $17,078,791 as compared to $3,371,871 at November 30, 2001. The Company had available cash reserves, comprised of cash, cash equivalents and short-term investments, of $19,736,377 at November 30, 2002 as compared to $4,183,580 at November 30, 2001. The Company invests its cash reserves in highly liquid and highly rated financial instruments such as treasury bills, commercial papers and banker's acceptance.

Capital expenditures paid by cash during fiscal 2002 were $685,337, comprising $203,375 in capital assets and $481,962 in intellectual property rights. Investing activities also included an expenditure of $1,382,606 with respect to the acquisition of Cardiome, Inc.

The Company believes that it has sufficient resources to fund operations for the next eighteen months. However, the Company's future cash requirements may vary materially from those now expected due to a number of factors, including the progress of clinical trials, progress in product development and changes in the focus and direction of the Company's product development projects. The Company will continue to review its financial needs and seek additional financing as required from sources that may include equity financing, and collaborative and licensing arrangements. However, there can be no assurance that such additional funding will be available or if available, whether acceptable terms will be offered.

RISKS AND UNCERTAINTIES

Cardiome believes that its available cash, expected grant and interest income should be sufficient to finance its operational and capital needs through 2003, while maintaining sufficient cash reserves for first half of 2004. Cardiome's working capital requirements may, however, vary depending upon a number of factors including progress of its research and development programs, the costs associated with completing clinical studies and the regulatory process, collaborative and license arrangements with third parties, opportunities to in-license complementary technologies, and technological and market developments. Consequently, Cardiome may need to raise additional capital to continue its ongoing research and development programs and to commence or continue the preclinical and clinical studies if necessary. In such an event, Cardiome intends to seek additional funding through public or private financing, arrangements with corporate partners, and from other sources. There can be no assurance that such funds will be available on favourable terms, if at all. If adequate funding is not available, Cardiome may be required to substantially reduce its operations.

To the extent possible, management implements strategies to reduce or mitigate the risks and uncertainties associated with the Company's business. Operating risks include (i) the Company's ability to successfully complete pre-clinical and clinical development of its products, (ii) the Company's ability to complete corporate alliances relating to the development and commercialization of its technologies and products, (iii) decisions and the timing of decisions made by health regulatory agencies regarding approval of the company's products, (iv) the Company's ability to obtain timely patent and other intellectual property protection for its technologies and products, (v) market acceptance of the Company's technology and products, (vi) the competitive environment and impact of technological change, and (vii) the continued availability of capital to finance the Company's activities.

Auditor's Report

To the Shareholders of
CARDIOME PHARMA CORP.

We have audited the consolidated balance sheets of Cardiome Pharma Corp. as at November 30, 2002 and 2001 and the consolidated statements of loss and deficit and cash flows for each of the years in the three year period ended November 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian and United States generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2002 and 2001 and the results of its operations and its cash flows for each of the years in the three year period ended November 30, 2002 in accordance with Canadian generally accepted accounting principles.

As discussed in note 3 to the financial statements, the Company retroactively changed its policies for revenue recognition and its method of accounting for income taxes.

Ernst & Young LLP

Vancouver, Canada,
February 5, 2003

Chartered Accountants

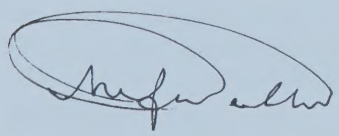
Consolidated Balance Sheets

As at November 30 (expressed in Canadian dollars)	2002 $	2001 $
ASSETS		
Current		
Cash and cash equivalents [note 6]	**1,430,349**	1,381,750
Short-term investments [notes 6 and 10]	**18,306,028**	2,801,830
Amounts receivable and other [notes 7 and 15]	**583,866**	247,211
Total current assets	**20,320,243**	4,430,791
Capital assets [note 8]	**399,646**	302,583
Intangible and other assets [note 9]	**29,111,861**	1,536,249
	49,831,750	6,269,623
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities [note 15]	**2,882,789**	907,700
Deferred revenue [note 13]	**529,068**	151,220
Current portion of capital lease obligations [note 12[b]]	**25,220**	—
Total current liabilities	**3,437,077**	1,058,920
Capital lease obligations [note 12[b]]	**36,260**	—
Deferred revenue [note 13]	**925,865**	1,197,154
Total liabilities	**4,399,202**	2,256,074
Shareholders' equity		
Share capital [note 11[b]]	**88,582,098**	32,251,393
Special warrants	**—**	966,000
Contributed surplus [notes 11[e] and 12[e]]	**1,276,266**	1,192,266
Deficit	**(44,425,816)**	(30,396,110)
Total shareholders' equity	**45,432,548**	4,013,549
	49,831,750	6,269,623

Commitments [note 12]

See accompanying notes

On behalf of the Board:



Director

Director

Consolidated Statements of Loss and Deficit

Years ended November 30 (expressed in Canadian dollars)	2002 $	2001 $	2000 [restated—see note 3[b]] $
REVENUE			
Research collaborative and licensing fees [notes 3[b] and 13]	**1,768,409**	197,028	92,095
Grant income	**37,000**	88,137	135,363
	1,805,409	285,165	227,458
EXPENSES [note 15]			
Research and development	**10,146,508**	5,498,838	4,732,656
General and administration	**3,409,940**	1,741,193	1,569,044
Amortization	**3,011,501**	550,097	917,288
	16,567,949	7,790,128	7,218,988
Operating loss	**(14,762,540)**	(7,504,963)	(6,991,530)
OTHER INCOME			
Interest and other income	**632,834**	347,078	495,894
Loss before income taxes	**(14,129,706)**	(7,157,885)	(6,495,636)
Future income tax recovery	**100,000**	—	—
Net loss for the year	**(14,029,706)**	(7,157,885)	(6,495,636)
Deficit, beginning of year	**(30,396,110)**	(22,810,225)	(16,314,589)
Adjustment for future income taxes [note 3[a]]	—	(428,000)	—
Deficit, end of year	**(44,425,816)**	(30,396,110)	(22,810,225)
Basic and diluted loss per common share [note 11[g]]	**(0.60)**	(0.69)	(0.69)
Weighted average number of common shares outstanding [note 11[g]]	**23,560,044**	10,304,579	9,359,210

See accompanying notes

Management's Responsibility for Financial Reporting

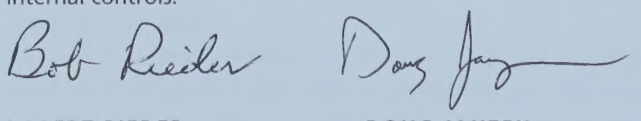
The accompanying consolidated financial statements of Cardiome Pharma Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles and have been approved by the Board of Directors. The integrity and objectivity of these consolidated financial statements are the responsibility of management. In addition, management is responsible for all other information in this report and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The consolidated financial statements include amounts that are based on the best estimates and judgements of management.

The Board of Directors is responsible for ensuring that management fulfils its responsibility for financial reporting and internal control. The Board of Directors exercises this responsibility principally through the Audit Committee. The Audit Committee consists of three directors not involved in the daily operations of the Company.

The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements prior to their presentation to the Board of Directors for approval.

The external auditors, Ernst & Young LLP, conduct an independent examination, in accordance with Canadian and United States generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have free and full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.



ROBERT RIEDER
President and CEO

DOUG JANZEN
Chief Financial Officer

Consolidated Statements of Cash Flows

Years ended November 30 (expressed in Canadian dollars)	2002 $	2001 $	2000 [restated—see note 3[b]] $
OPERATING ACTIVITIES			
Loss for the year	**$ (14,029,706)**	(7,157,885)	(6,495,636)
Add items not affecting cash:			
Amortization	**3,011,501**	550,097	917,288
Stock-based compensation	**84,000**	136,000	16,000
Future income tax recovery	**(100,000)**	—	—
Changes in non-cash working capital items relating to operations:			
Amounts receivable and other	**(336,655)**	143,701	(132,396)
Accounts payable and accrued liabilities	**1,741,108**	(214,156)	253,458
Deferred revenue	**106,559**	(151,224)	1,499,598
Cash used in operating activities	**(9,523,193)**	(6,693,467)	(3,941,688)
FINANCING ACTIVITIES			
Issuance of share capital	**27,884,444**	—	8,009,619
Issuance of special warrants	**—**	966,000	—
Payment on obligations under capital leases	**(15,937)**	(41,145)	(60,602)
Repayment of long-term debt	**(724,574)**	(50,161)	(68,829)
Cash provided by financing activities	**27,143,933**	874,694	7,880,188
INVESTING ACTIVITIES			
Acquisition of Cardiome, Inc.	**(1,382,606)**	—	—
Purchase of capital assets	**(203,375)**	(74,776)	(179,085)
Patent costs capitalized	**(481,962)**	(125,090)	(324,445)
Purchase of short-term investments	**(33,717,159)**	(8,675,780)	(10,980,385)
Sale of short-term investments	**18,212,961**	12,845,611	6,583,891
Increase in deferred acquisition costs	**—**	(16,921)	—
Cash provided by (used in) investing activities	**(17,572,141)**	3,953,044	(4,900,024)
Increase (decrease) in cash and cash equivalents during the year	**48,599**	(1,865,729)	(961,524)
Cash and cash equivalents, beginning of year	**1,381,750**	3,247,479	4,209,003
Cash and cash equivalents, end of year	**1,430,349**	1,381,750	3,247,479
Supplemental cash flow information:			
Interest paid	**3,039**	5,369	15,850

See accompanying notes

November 30, 2002 (expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Cardiome Pharma Corp. (the "Company") was incorporated under the Company Act (British Columbia) on December 12, 1986 under the name Nortran Resources Ltd. The Company changed its name to Nortran Pharmaceuticals Inc. on June 24, 1992 and subsequently to Cardiome Pharma Corp. on June 20, 2001. On March 8, 2002, the Company was continued under the laws of Canada. The Company is a drug discovery and development company focused on developing proprietary drugs to treat or prevent cardiac diseases.

The Company has financed its cash requirements primarily from share issuances, payments from research collaborators and licensing fees. The Company's ability to realize the carrying value of its assets is dependent on successfully bringing its technologies to market and achieving future profitable operations, the outcome of which cannot be predicted at this time. It may be necessary for the Company to raise additional funds for the continuing development of its technologies.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its accounts in accordance with Canadian generally accepted accounting principles. A reconciliation of amounts presented in accordance with United States generally accepted accounting principles is detailed in note 16. The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

Principles of consolidation

These consolidated financial statements include the accounts of Cardiome Pharma Corp. and its wholly-owned subsidiaries, RhythmSearch Developments Ltd. (Canadian) and Cardiome, Inc., formerly Paralex, Inc. (United States). Significant intercompany accounts and transactions have been eliminated on consolidation.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements. Actual results could differ from those estimates.

Foreign currency translation

The Company follows the temporal method of accounting for the translation of foreign currency amounts, including those of its integrated foreign subsidiary, into Canadian dollars. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the balance sheet date. All other assets and liabilities are translated at the exchange rates prevailing at the date the assets were acquired or the liabilities incurred. Revenue and expense items are translated at the average exchange rate during the year. Foreign exchange gains and losses, both realized and unrealized, are included in the determination of the loss for the year.

Cash equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents, which are carried at the lower of cost or market.

Short-term investments

The Company considers all highly liquid financial instruments with an original maturity greater than 90 days and less than one year to be short-term investments. Short-term investments are considered available for sale and are carried at the lower of cost or market.

Capital assets

Capital assets are recorded at cost less accumulated amortization. The Company records amortization of laboratory, computer and office equipment and web-site development costs on a straight-line basis over 3 to 5 years. Leasehold improvements are amortized on a straight-line basis over the term of the lease plus one renewal period. Laboratory equipment under capital lease is amortized on a straight-line basis over the shorter of the lease term or 5 years.

Technology licenses and patent costs

Technology licenses, which includes licenses and rights to technologies, are initially recorded at fair value based on consideration paid and amortized on a straight-line basis over the estimated useful life of the underlying technologies of ten years.

Patent costs associated with the preparation, filing, and obtaining of patents are capitalized and amortized on a straight-line basis over the estimated useful lives of the patents of ten years.

If management subsequently determines that such costs exceed estimated net recoverable value, based on estimated undiscounted future cash flows, the excess of such costs are charged to operations. The amounts shown for technology licenses and patent costs do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these rights.

Leases

Leases have been classified as either capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership of assets are accounted for as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Government grants

Government grants towards current expenses are included in revenue when there is reasonable assurance that the Company has complied with all conditions necessary to receive the grants, collectibility is reasonably assured, and the amounts are non-refundable.

November 30, 2002 (expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue

Research collaborative fees, which are non-refundable, are recorded as revenue as the related research expenses are incurred pursuant to the terms of the agreement and provided collectibility is reasonably assured. Licensing fees comprise initial fees and milestone payments derived from collaborative licensing arrangements. Non-refundable milestone payments are recognized upon the achievement of the specified milestones when the milestone is substantive in nature, the achievement of the milestone was not reasonably assured at the inception of the agreement and the Company has no further significant involvement or obligation to perform under the arrangement. Otherwise, non-refundable milestone payments and initial fees are deferred and amortized into revenue on a straight-line basis over the estimated period of the ongoing involvement of the Company.

Research and development costs

Research costs are expensed in the year incurred. Development costs are expensed in the year incurred unless the Company believes a development project meets generally accepted accounting criteria for deferral and amortization.

Stock based compensation

The Company grants stock options to executive officers and directors, employees, consultants and clinical advisory board members pursuant to a stock option plan described in note 11[d]. No compensation is recognized for these plans when common shares are awarded or stock options are granted. Any consideration received on exercise of stock options or the purchase of stock is credited to share capital.

Future income taxes

The Company accounts for income taxes using the liability method of tax allocation. Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Loss per common share

Loss per common share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year, excluding shares held in escrow or other contingently issuable common shares. Diluted loss per common share is equivalent to basic loss per share as the outstanding options and warrants are anti-dilutive.

3. CHANGE IN ACCOUNTING PRINCIPLES

[a] Income taxes

Effective December 1, 2000, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes. The change has been applied retroactively and, as permitted, the comparative financial statements have not been restated. The change in accounting policy resulted in an increase in future tax assets, a decrease in technology, an increase in future tax liabilities and an increase in the deficit at December 1, 2000 of $428,000. Before the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation.

[b] Revenue recognition

Effective June 1, 2001, the Company changed its accounting policy for recognizing license fees to be consistent with U.S. GAAP, as clarified by Staff Accounting Bulletin 101 ("SAB 101") *Revenue Recognition in Financial Statements*, which was issued by the U.S. Securities and Exchange Commission in December 1999. License fees, which consist of initial upfront fees and milestone payments are deferred and amortized into revenue on a straight-line basis over the term of the relevant license or related underlying product development period if the Company has future involvement or obligation to perform under the arrangement, as described in note 2. Previously, the Company recognized upfront license fees and milestone payments as earned in accordance with the terms of the related agreement which was generally the period the payment was received.

This change was applied retroactively with restatement with the following effect:

	As originally reported	As restated
	2000	2000
	$	$
Research collaborative, licensing and option fees	$ 2,081,046	**$ 92,095**
Loss for the year	(4,496,038)	**(6,495,636)**
Basic loss per common share	(0.48)	**(0.69)**
Deferred revenue	—	**1,499,598**
Deficit	$ (20,810,627)	**$ (22,810,225)**

4. BUSINESS COMBINATION

On March 8, 2002, the Company acquired 100% of the outstanding common shares of Cardiome, Inc. (formerly Paralex, Inc.), a development stage enterprise. The acquisition provides the Company with certain intellectual property rights, under a license from the Johns Hopkins University, relating to the use of xanthine oxidase inhibitors for treatment of congestive heart failure (the "CHF technology"), other cardiovascular disorders and neuromuscular disease. The acquisition also provides the Company with the rights, under an exclusive worldwide sublicense from ILEX Oncology, Inc. ("ILEX"), to ILEX's rights under its license agreement with Burroughs Welcome Co. and The Wellcome Foundations, Ltd. to oxypurinol for the treatment of hyperuricemia (gout) in humans who are intolerant of

allopurinol. ILEX also granted the Company an exclusive license to certain safety and efficacy clinical data, know-how and an option to acquire additional efficacy clinical data of oxypurinol for the treatment of gout. Oxypurinol is one of the known xanthine oxidase inhibitor. The Company expected that the combination of these licenses would potentially expedite the development of the CHF technology directly into Phase II clinical trial. The Company issued 8,203,396 common shares in exchange for all of the outstanding shares of Cardiome, Inc.

The acquisition has been accounted for using the purchase method of accounting and accordingly the results of operations have been included in the consolidated statement of loss and deficit from the date of acquisition.

The purchase price has been allocated to the fair value of Cardiome, Inc.'s identifiable net assets and liabilities in accordance with the purchase method as follows:

	$
Assets acquired:	
Cash	624
Other assets	560,368
License technology	29,497,408
Total assets acquired	30,058,400
Less liabilities assumed:	
Accounts payable and accrued liabilities	355,502
Long-term debt	723,111
Future income tax liability	100,000
Total liabilities assumed	1,178,613
Net assets acquired	28,879,787
Consideration given:	
8,203,396 common shares	27,480,261
Transaction costs	1,399,526
Total consideration	28,879,787

The purchase price allocation reflects the fair value, at the acquisition date, of the assets acquired and liabilities assumed based upon the Company's evaluation of such assets and liabilities following the closing of the acquisition. The value of the common shares issued was determined to be $3.36 per share using the three-day average quoted market price of the Company's common shares on the Toronto Stock Exchange for the period from December 20 to 22, 2001. December 21, 2001 was the date on which the terms of the acquisition were agreed to and announced. The amount allocated to the common shares of $27,480,261 is net of costs of registering the shares of $83,149.

5. FINANCIAL INSTRUMENTS

For certain of the Company's financial instruments, including cash equivalents, short-term investments, amounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short-term nature. The long-term debt and the obligations under capital leases bear interest at rates which, in management's opinion, approximated the current interest rates and therefore, approximated their fair value.

6. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash equivalents include approximately $1,280,000 [2001—$1,094,000] of commercial papers, bankers' acceptances and term deposits with an average interest rate of 1.88% at November 30, 2002 [2001—2.58%] including $782,000 (US$500,000) [November 30, 2001—$nil] denominated in U.S. dollars.

Short-term investments comprise mainly commercial papers and term deposits with an average interest rate of 3.17% at November 30, 2002 [2001—3.49%] and maturities to August 2003 [2001—April 2002] including $782,000 (US$500,000) [November 30, 2001—$nil] denominated in U.S. dollars.

At November 30, 2002, the fair value of the short-term investments was $18,376,494 [2001—$2,828,070], based on quoted market prices.

7. AMOUNTS RECEIVABLE AND OTHER

	2002	2001
	$	$
Prepaid expenses	71,199	147,681
Interest and other receivables	512,667	99,530
	583,866	247,211

8. CAPITAL ASSETS

	Cost	Accumulated amortization	Net book value
	$	$	$
2002			
Laboratory equipment	808,783	635,053	173,730
Computer equipment	476,360	374,794	101,566
Office equipment	129,187	86,470	42,717
Laboratory equipment under capital lease	77,418	17,204	60,214
Leasehold improvements	39,065	24,845	14,220
Web-site development costs	13,640	6,441	7,199
	1,544,453	1,144,807	399,646
2001			
Laboratory equipment	728,194	509,386	218,808
Computer equipment	369,468	360,322	9,146
Office equipment	109,242	67,848	41,394
Leasehold improvements	29,255	7,765	21,490
Web-site development costs	13,640	1,895	11,745
	1,249,799	947,216	302,583

9. INTANGIBLE AND OTHER ASSETS

	Cost	Accumulated amortization	Net book value
	$	$	$
2002			
Technology licenses	33,965,070	5,170,695	28,794,375
Patents	806,920	489,434	317,486
Total	34,771,990	5,660,129	29,111,861
2001			
Technology licenses	3,073,401	2,242,618	830,783
Patents	1,121,198	570,807	550,391
Deferred acquisition costs	155,075	—	155,075
Total	4,349,674	2,813,425	1,536,249

During the year ended November 30, 2002, the Company recorded additional amortization expense of $227,584 [2001—$nil; 2000—$287,000] with respect to patents no longer directly related to the Company's current focus.

November 30, 2002 (expressed in Canadian dollars)

10. CREDIT FACILITY

At November 30, 2002 and 2001, the Company had available a corporate card credit facility and an unused operating line of credit of $30,000 bearing interest at the bank's prime rate and payable on demand. A cashable certificate of $100,000 [2001—$100,000] included in short-term investments is pledged as security against these facilities.

11. SHARE CAPITAL

[a] Authorized

Effective March 8, 2002, the Company consolidated its share capital on a four for one basis. All share capital, options, warrants and per share amounts have been retroactively restated to reflect this share consolidation.

On March 8, 2002, the Company continued under the Canada Business Corporations Act and altered its authorized capital from 200,000,000 common shares without par value to an unlimited number of common shares without par value.

[b] Issued

	Number of common shares	Amount
	#	$
Balance, November 30, 1999	8,975,736	25,282,040
Issued for cash upon exercise of options	44,500	151,190
Issued for cash upon exercise of warrants [vi]	182,141	509,995
Issued for cash pursuant to private placements, net of issuance costs [iv] and [v]	1,476,585	7,348,434
Return of escrow shares [note 11[f]]	(375,000)	(1,056,266)
Balance, November 30, 2000	10,303,962	32,235,393
Issued pursuant to a technology assignment agreement [iii]	5,000	16,000
Balance, November 30, 2001	10,308,962	32,251,393
Issued upon conversion of special warrants [ii]	458,583	864,927
Issued for cash upon public offering [i]	9,309,657	27,908,517
Issued for cash upon exercise of options	27,500	77,000
Issued for the acquisition of Cardiome, Inc. [note 4]	8,203,396	27,480,261
Balance, November 30, 2002	28,308,098	88,582,098

[i] On March 8, 2002, the Company completed a public offering of 9,309,657 units (the "Units") of the Company at a price of $3.32 per unit for total gross proceeds of $30,908,061 (the "Offering"). Each Unit was converted into one common share in the capital of the Company and one quarter of one common share purchase warrant (a "Warrant") of the Company. One whole Warrant entitles the holder to purchase one common share of the Company at $6.64 expiring March 7, 2004. In connection with the public offering, the Company paid a cash commission of $2,163,564 and legal and professional fees of $835,980. In addition, the Company granted brokers' warrants ("Brokers' Warrants") to purchase 930,966 Units at a price of $3.80 per Unit until March 8, 2004 to the lead agents of the public offering.

[ii] On October 10, 2001, the Company completed a private placement of 458,583 special warrants at a price of $2.40 each for total gross proceeds of $1,100,600. Each special warrant was convertible into one common share of the Company and one half of one common share purchase warrant, for no additional consideration. Each full purchase warrant entitles the holder to acquire one common share at $3.20 expiring October 5 or 10, 2003. In connection with the private placement, the Company paid a cash commission of $28,042 and legal and professional fees of $207,631, and granted 16,691 agent's warrants to the agent of this financing. Each agent's warrant entitles the holder to purchase one common share at $2.40 per share until October 10, 2003. On January 30, 2002, pursuant to a prospectus qualifying the underlying common shares and common share purchase warrants, the 458,583 special warrants were converted to 458,583 common shares and 229,292 common share purchase warrants.

[iii] On October 15, 2001, the Company issued 5,000 common shares in settlement of an accounts payable balance of $16,000 with respect to a technology assignment agreement.

[iv] On June 19, 2000, the Company completed a private placement of 1,387,300 special warrants at a price of $5.60 each for total gross proceeds of $7,768,880. Each special warrant was converted into one common share and one half of one common share purchase warrant, for no additional consideration. The warrants, which entitled the holder to acquire one common share at $6.40 for each full warrant, expired unexercised on April 14, 2002. In connection with the private placement, the Company paid a cash commission of $543,822 and legal and professional fees of $376,624.

[v] On June 5, 2000, the Company completed a non-brokered private placement of 89,286 units at $5.60 per unit for gross proceeds of $500,000. Each unit was converted into one common share and one half of one common share purchase warrant. The warrants, which entitled the holder to acquire one common share at $6.40 for each full warrant, expired unexercised on June 5, 2002.

[vi] During the year ended November 30, 2000, 182,141 share purchase warrants granted to a lead agent of a special warrant financing were exercised for an amount of $509,995.

[c] Common share purchase warrants

As at November 30, 2002 common shares issuable upon exercise of common share purchase warrants and brokers' warrants were outstanding as follows:

Date of Expiry	Exercise Price	Number of Warrants
February 9, 2004 to 2007 (i)	(i)	187,500
October 5, 2003	$3.20	41,667
October 10, 2003	$2.40	16,691
October 10, 2003	$3.20	187,625
March 7, 2004	$6.64	2,327,414
March 7, 2004	$3.80	930,966
March 7, 2004	$6.64	232,741
Balance as at November 30, 2002		3,924,604

[i] see note 12[e] [i].

[d] Stock options

On May 28, 2001, the shareholders approved a new stock option plan ("2001 Plan") for which up to 1,500,000 common shares can be reserved for issuance to executive officers and directors, employees, consultants and clinical advisory board members of the Company. On May 27, 2002, the shareholders of the Company approved amendments to the 2001 Plan which increased the number of the common shares issuable under the plan to 5,500,000. The shares available for issuance under the 2001 Plan generally vest over periods up to 5 years with a term of six years. Of the total stock options

November 30, 2002 (expressed in Canadian dollars)

outstanding at November 30, 2002, no options vest upon the achievement of certain milestones [November 30, 2001—180,000]. At November 30, 2002, the Company has 1,863,062 [November 30, 2001—420,313] common shares available for future issuance under the 2001 Plan.

At November 30, 2002, stock options to executive officers and directors, employees, consultants and clinical advisory board members were outstanding as follows:

	Options outstanding November 30, 2002			Options exercisable November 30, 2002	
Range of exercise price	Number of common shares issuable	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of common shares issuable	Weighted average exercise price
$			$		$
$2.44-$2.92	280,625	4.16	2.84	267,500	2.84
$3.00-$3.82	2,845,375	5.65	3.27	1,558,750	3.23
$4.20-$4.40	75,000	2.06	4.24	72,500	4.24
$5.04-$5.96	327,188	2.10	5.57	327,188	5.57
$6.20-$7.24	81,250	2.23	6.45	81,250	6.45
	3,609,438	5.06	3.54	2,307,188	3.66

Stock options activities are summarized as follows:

	Number of common shares under option	Weighted average exercise price
	#	$
Balance, November 30, 1999	670,750	5.00
Options granted	318,438	5.24
Options exercised	(44,500)	3.40
Options forfeited	(25,000)	5.20
Balance, November 30, 2000	919,688	5.16
Options granted	391,250	2.92
Options forfeited	(221,250)	5.04
Options cancelled [i]	(10,000)	4.20
Balance, November 30, 2001	1,079,688	4.37
Options granted	2,784,125	3.28
Options exercised	(27,500)	2.80
Options forfeited	(84,375)	4.23
Options expired	(142,500)	4.68
Balance, November 30, 2002	3,609,438	3.53

[i] On August 22, 2001, pursuant to the adoption of a new director's compensation package, the Company cancelled 10,000 stock options with an exercise of $4.20 previously granted to a director and granted 7,500 new stock options with an exercise price of $3.00.

[e] Escrow shares

Prior to February 22, 2000, the Company had 375,000 common shares held in escrow. The release of these shares was subject to regulatory approval upon achieving prescribed cumulative cash flow amounts. The 375,000 common shares held in escrow were cancelled effective February 22, 2000 upon the expiry of the escrow agreement. Accordingly, the weighted average per share amount attributed to the cancelled shares of $1,056,266 has been allocated to contributed surplus.

[f] Commitment to issue shares

Under the terms of a licensing agreement, the Company has agreed to issue 50,000 common shares to the licensor upon the achievement of certain milestones. At November 30, 2002, these milestones had not been achieved.

[g] Loss per common share

	2002	2001	2000
	$	$	$
Numerator			
Loss for the year	**(14,029,706)**	(7,157,885)	(6,495,636)
Denominator			
Weighted average number of common shares outstanding	**23,560,044**	10,304,579	9,445,511
Escrowed shares	—	—	(86,301)
	23,560,044	10,304,579	9,359,210
Basic and diluted loss per common share	**(0.60)**	(0.69)	(0.69)

12. COMMITMENTS

[a] Operating leases

The Company leases its premises under an operating lease agreement. The minimum annual lease commitments under this operating lease agreement, expiring in March 2004, are approximately $348,000.

Rent expense for the year ended November 30, 2002 amounted to $263,891 [2001—$256,020; 2000—$256,285].

[b] Capital leases

The Company leases laboratory equipment under capital lease obligations. Future minimum lease payments under the capital leases are as follows:

	$
2003	28,464
2004	28,464
2005	9,486
	66,414
Less: amount representing interest	(4,934)
	61,480
Less: current portion of capital lease obligations	(25,220)
Long term portion of capital lease obligations	(36,260)

Interest expense during the year ended November 30, 2002 amounted to $3,039 [2001—$nil; 2000—$7,062].

[c] Clinical research agreements

The Company has entered into various collaborative clinical research agreements requiring it to fund research expenditures of approximately $1,800,000 for the year ending November 30, 2003.

[d] License agreements

(i) Pursuant to a license agreement, the Company is responsible for payment of royalties based on a percentage of revenue, subject to certain minimum annual royalties. As at November 30, 2002, no royalties were payable. The license agreement may be terminated by the licensor if certain development milestones are not met. Unless otherwise terminated, the agreement expires on the expiry date of the last issued patent.

November 30, 2002 (expressed in Canadian dollars)

12. COMMITMENTS (CONT'D)

[d] License agreements

(ii) Pursuant to an agreement, the Company is responsible for payment of $500,000 upon commencement of Phase III clinical trials and a further $2,000,000 upon filing a New Drug Application in the United States or Canada for the licensed technology. The Company also has an obligation to pay royalties based on future net sales. As at November 30, 2002, no amounts were payable. The agreement expires on the expiry date of the last patent relating to certain technology.

(iii) Pursuant to a license agreement, the Company is responsible for the payment of royalties based on a percentage of revenue and subject to certain minimum annual royalties commencing at US$5,000 and increasing over the next five years to US$100,000 per annum. The Company also has an obligation to develop and introduce certain licensed products into commercial markets as soon as it is practicable. The agreement sets out certain milestones that need to be met in ensuring that this occurs. The license agreement may be terminated if either party fails to perform or breaches any of its obligations under the agreement. Furthermore, the Company may terminate the agreement for any reason upon giving 60 days' written notice. Unless otherwise terminated, the agreement expires upon the expiration of the last issued patent.

[iv] Pursuant to a license and option agreement, the Company paid US$250,000 in May 2002 upon the exercise of the option to purchase certain clinical data. The acquisition cost has been included in intangible and other assets. The Company is responsible for milestone payments of up to US$3 million based on the successful completion of first phase II clinical trials and FDA approval of the first new drug application and FDA approval for marketing and commercialization of the product in a cardiovascular indication. The Company is also responsible for milestone payments of up to US$6 million based on FDA approval for marketing and commercialization of the product in a hyperuricemic indication of the product and achievement of certain net sales of the product. The Company also has an obligation to pay royalties based on future net sales. At November 30, 2002, no amounts were payable. Unless otherwise terminated, the license agreement will terminate upon the expiration of the licensor's obligation to pay royalties under its original license agreement with a third party.

[e] Service and consulting agreements

[i] In August 2001, the Company entered into a consulting agreement with a third party. The agreement expired on February 9, 2002. Pursuant to this agreement, the Company granted 187,500 retainer warrants, which vested on February 9, 2002 with the following terms [note 11[c]].

Number of options	Exercise price	Date of expiry
#	US$	
75,000	2.40	February 9, 2004
25,000	4.80	February 9, 2004
25,000	8.00	February 9, 2004
37,500	2.40	February 9, 2007
12,500	4.80	February 9, 2007
12,500	8.00	February 9, 2007
187,500		

The expiry date of the warrants expiring on February 9, 2004 may be extended through February 9, 2007 if certain milestones are achieved before August 9, 2003, as described in the consulting agreement.

[ii] Pursuant to a consulting agreement, the Company is obligated to pay a consultant US$100,000 per year for consulting services from January 1, 2002 through December 31, 2005.

13. COLLABORATIVE AGREEMENTS

(i) On October 16, 2000, the Company entered into a licensing agreement with AstraZeneca AB ("AstraZeneca"), for the worldwide development and commercialization of RSD1122, an antiarrhythimic compound developed by the Company. An upfront payment of US$1,000,000 collected in 2000 was deferred and amortized into revenue on a straight-line basis over the estimated development period of ten years. Effective June 18, 2002, the agreement was terminated at no financial obligation from either party. AstraZeneca returned all rights and pre-clinical data associated with RSD1122 in July 2002. The remaining unamortized upfront payment was recognized in revenue during the year ended November 30, 2002.

(ii) On September 18, 2002, the Company entered into a development and transfer agreement with UCB Farchim S.A. ("UCB") under which UCB purchased from the Company the exclusive rights to an anti-tussive program. Concurrently, the Company acquired a perpetual, worldwide exclusive license, with the right to grant sublicenses, to all cardiovascular applications associated with the technology. Consideration for the disposition includes royalties on future net sales of products arising from this technology, upfront payments, and milestone payments of up to US$8 million on the first product developed by UCB and an additional US$3 million for each subsequent product developed. Also, UCB agreed to pay the Company for research services to be provided over an initial period of 12 months, extendable to up to 36 months at a rate of US$600,000 per annum. The Company agreed to pay a royalty to UCB for any cardiovascular products developed and sold which utilize technology patented subsequent to September 18, 2002. During the year ended November 30, 2002, the Company received an initial payment of US$1,000,000, which is being recorded as revenue on a straight-line basis over the maximum 36-month term of the service agreement, and research service fees of US$150,000, which are included in research collaborative and licensing fees.

14. INCOME TAXES

At November 30, 2002, the Company has investment tax credits and non-capital losses for income tax purposes which expire as follows:

	Investment tax credits	Non-capital losses
	$	$
2003	—	545,000
2004	4,000	1,530,000
2005	62,000	2,830,000
2006	111,000	2,549,000
2007	261,000	2,482,000
2008	520,000	3,966,000
2009	402,000	8,421,000
2010	559,000	—
2011	786,000	—
2012	919,000	—
	3,624,000	22,323,000

Significant components of the Company's future tax assets and liabilities are shown below:

	November 30, 2002	November 30, 2001
	$	$
Future tax assets:		
Tax loss carryforwards	**7,964,000**	5,081,900
Research and development deductions and credits	**7,338,000**	5,485,900
Tax values of depreciable assets in excess of accounting values	**720,000**	649,400
Revenue unearned for accounting purposes	**518,000**	480,300
Share issue costs	**1,088,000**	328,200
Other items	**3,000**	2,600
Total future tax assets	**17,631,000**	12,028,300
Valuation allowance	**(7,359,000)**	(11,647,100)
Total future tax assets	**10,272,000**	381,200

November 30, 2002 (expressed in Canadian dollars)

	November 30, 2002	November 30, 2001
	$	$
Future tax liabilities:		
Accounting value of technology in excess of tax value	**(10,272,000)**	(381,200)
Total future tax liabilities	**(10,272,000)**	(381,200)
Net future tax assets	—	—

The potential income tax benefits relating to these future tax assets have not been recognized in the accounts as their realization did not meet the requirements of "more likely than not" under the liability method of tax allocation. Accordingly, no future tax assets were recorded at November 30, 2002 and 2001.

The reconciliation of income tax computed at the statutory tax rates to income tax expense (recovery), using a 40.04% [2001—44.62%; 2000—45.62%] statutory tax rate, is:

	Liability method		Deferral method
	Years ended November 30,		
	2002	2001	2000
	$	$	$
Tax provision at combined statutory income tax rate	**(5,658,000)**	(3,193,900)	(2,963,300)
Occurrence of losses and deferred tax credits for which no tax benefit has been recorded	**3,490,000**	1,784,000	1,360,300
Amortization in excess of capital cost allowance for tax	**1,206,000**	245,500	418,500
Research and development expenses not deducted for tax purposes	**1,297,000**	1,383,100	690,700
Share issue costs	**(394,000)**	(158,300)	(196,500)
Recognition of previously unrecognized future income tax asset	**(100,000)**	—	—
Revenue unearned for accounting purposes [note 3[b]]	**43,000**	(67,400)	684,100
Other	**16,000**	7,000	6,200
Future income tax recovery	**(100,000)**	—	—

15. RELATED PARTY TRANSACTIONS

The Company has incurred expenses for services provided to related parties as follows:

	2002	2001	2000
	$	$	$
Shareholder for:			
– research consulting services	**117,893**	—	—
Companies with a common director for:			
– contract research services	—	16,838	30,539
Directors for:			
– research consulting services	**20,833**	113,732	104,901
– administrative consulting services	**2,500**	16,500	30,700
Law firm in which an officer is a partner for:			
– legal services	**100,159**	—	—

All transactions are recorded at their exchange amounts and accounts payable are subject to normal trade terms. The amount noted for legal services relates to services provided since the appointment of the individual as an officer.

Included in amounts receivable and other at November 30, 2002 is $nil [November 30, 2001—$1,500] due from a company with a common director.

Included in accounts payable and accrued liabilities at November 30, 2002 is $27,355 [2001—$84,709] owing to related parties for services provided as described above.

16. RECONCILIATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company prepares the consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which as applied in these consolidated financial statements conform in all material respects to United States generally accepted accounting principles ("U.S. GAAP"), except as follows:

[a] As described in note 3[a], the Company adopted the liability method of accounting for income taxes. As a result of differences in the transition rules between the recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes and SFAS 109, there is a $222,560 [2001—$325,280] difference in technology and deficit under U.S. GAAP.

[b] For reconciliation purposes to U.S. GAAP, the Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" (APB 25) and related interpretations, in accounting for stock options granted to executive officers, directors and employees. Compensation expense is calculated based on the difference, on the date of grant, between the fair market value of the Company's stock and the exercise price and is recorded over the vesting period of the options. For purposes of reconciliation to U.S. GAAP, the Company recorded additional compensation expense of $10,000 in respect of options granted to executive officers, directors and employees below fair market value [2001—$44,100; 2000—$28,400].

[c] Under U.S. GAAP, stock based compensation to non-employees must be recorded at the fair value of the options granted on the earlier of the date at which a performance commitment is reached or the vesting date of the options. This compensation is expensed over the vesting periods of each option grant. The fair value of the stock options was estimated using the Black-Scholes option pricing model and the following weighted-average assumptions for the years ended November 30, 2002, 2001 and 2000 respectively: dividend yield 0.0%; expected volatility 0.93, 0.99 and 0.96; risk-free interest rate 3.0%, 5.0% and 6.5%; and expected average option life of 3.8, 4.5 and 4.8 years. For purposes of reconciliation to U.S. GAAP, the Company recorded additional compensation expense of $76,799 [2001—$35,000; 2000—$179,500] in respect of options earned by non-employees during the year.

November 30, 2002 (expressed in Canadian dollars)

16. RECONCILIATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONT'D)

[d] Under U.S. GAAP, short-term investments are classified as available for sale and carried at market values with unrealized gains or losses reflected as a component of accumulated other comprehensive income.

[e] Under Canadian GAAP the effect of the change in accounting policy described in note 3[b] is recorded on a retroactive basis with restatement of prior years' results. Under U.S. GAAP, the cumulative effect of the change is recorded as a cumulative catch up adjustment to the current year's reported net loss.

The effect of the above on the Company's consolidated financial statements is set out below:

Consolidated statements of loss and deficit

	Years ended November 30		
	2002	2001	2000
	$	$	$
Loss for the year, Canadian GAAP	**(14,029,706)**	(7,157,885)	(6,495,636)
Adjustment to eliminate retroactive change in accounting policy [note 16[e]]	—	—	1,499,598
Amortization of other assets [note 16[a]]	**(102,720)**	(102,720)	—
Adjustment for stock-based compensation			
- employees [note 16[b]]	**(10,000)**	(44,100)	(28,400)
- non-employees [note 16[c]]	**(76,799)**	(35,000)	(179,500)
Loss for the year, U.S. GAAP before cumulative effect of change in accounting policy	**(14,219,225)**	(7,339,705)	(5,203,938)
Cumulative effect of change in accounting policy [note 16[e]]	—	(1,499,598)	—
Loss for the year, U.S. GAAP	**(14,219,225)**	(8,839,303)	(5,203,938)
Reclassification adjustment for unrealized gains on short-term investments	**(29,591)**	(117,662)	—
Unrealized gains on investments [note 16[d]]	**72,509**	29,591	117,662
Comprehensive loss for the year, U.S. GAAP	**(14,176,307)**	(8,927,374)	(5,086,276)
Loss for the year, U.S. GAAP	**(14,219,225)**	(8,839,303)	(5,203,938)
Weighted average number of common shares outstanding, U.S. GAAP	**23,560,044**	10,304,579	9,359,210
Basic and diluted loss per common share, U.S. GAAP:			
Before change in accounting policy	**(0.60)**	(0.71)	(0.56)
Change in accounting policy	—	(0.15)	—
Basic and diluted loss per common share, U.S. GAAP	**(0.60)**	(0.86)	(0.56)

Balance sheets

Material variations in balance sheet accounts under U.S. GAAP are as follows:

	2002	2001
	$	$
Cash and cash equivalents [note 16[d]]	**1,432,392**	1,385,101
Short-term investments [note 16[d]]	**18,376,494**	2,828,070
Intangible and other assets [note 16[a]]	**29,334,421**	1,861,529
Accumulated other comprehensive income [note 16[e]]	**72,509**	29,591
Contributed surplus [notes 16[b], [c] and [d]]	**2,197,315**	2,026,516
Deficit	**(45,124,305)**	(30,905,080)

17. SEGMENTED INFORMATION

The Company operates primarily in one business segment with all of its assets and operations located in Canada. All of the Company's revenues are generated in Canada. During the year ended November 30, 2002, 76%, 21% and 3% of research collaborative and licensing fees are derived from three collaborators in Sweden, Switzerland and United States, respectively [November 30, 2001—92% and 8% from two collaborators in Sweden and United States; November 30, 2000—61% and 39% from two collaborators in Sweden and Germany].

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with presentation adopted in the current year.

19. SUBSEQUENT EVENT

Subsequent to November 30, 2002, the Company granted 490,000 options to employees to acquire common shares at a weighted average exercise price of $3.32 per share expiring through January 5, 2009. In addition, 5,000 options to acquire common shares of the Company were forfeited at a weighted average exercise price of $3.32 per share expiring through November 19, 2008.

Corporate Information

Board of Directors

Mark C. Rogers, M.D., MBA[2], [4]
Chairman

Robert Rieder, MBA
President & Chief
Executive Officer

Alan Ezrin, Ph.D.
Chief Scientific Officer

Elizabeth Rogers, M.D.[3]
Director

Fred Mermelstein, Ph.D.[1], [2], [4]
Director

Kim Sun Oh[1]
Director

Michael Walker, Ph.D.[1], [3]
Director

Ralph Snyderman, M.D.[2], [3], [4]
Director

Tim Garson M.D.
Director

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Corporate Governance Committee
[4] Member of the Nomination Committee

Officers and Corporate Management

Mark C. Rogers, M.D., MBA
Chairman

Robert Rieder, MBA
President & Chief
Executive Officer

Doug Janzen
Chief Financial Officer

Alan Ezrin, Ph.D.
Chief Scientific Officer

Alan Moore, Ph.D.
Executive VP,
Clinical Development &
Regulatory Affairs

Gregory Beatch, Ph.D.
VP, External Scientific Affairs

Sheila Grant, MBA
Director of Business &
Clinical Development

Christina Yip, CMA
VP, Finance and Administration
& Assistant Corporate
Secretary

Jim Heppell
Corporate Secretary

Investor Relations Contact

Doug Janzen
Chief Financial Officer
Cardiome Pharma Corp.
3650 Wesbrook Mall
Vancouver, BC
Canada V6S 2L2

Toll-free: 800 330 9928
Tel: 604 677 6905
Fax: 604 677 6915
Email: djanzen@cardiome.com

Transfer Agent

Pacific Corporate
Trust Company
10th Floor, 625 Howe Street
Vancouver, BC
Canada V6C 3B8

Auditors

Ernst & Young, LLP
Pacific Centre
P.O. Box 10101
700 West Georgia Street
Vancouver, BC
Canada V7Y 1C7

Tel: 604 891 8200

Listings

Toronto Stock Exchange (COM)
Bulletin Board (COMRF)

Internet

www.cardiome.com

Annual General Meeting

Date: May 12, 2003
Time: 2:00pm (PST)
Location: Oxford Room
3rd floor Hyatt Regency Hotel
655 Burrard Street
Vancouver BC V6C 2R7

Except for the historical information presented, certain matters discussed in this annual report are forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. Such risks and uncertainties include among others, those described in the Company's annual report in Form 20-F, including the following: uncertainty related to early stage of development, technology and product development; dependence on future corporate collaborations; dependence on proprietary technology and uncertainty of patent protection; management of growth; future capital needs and uncertainty of additional funding; intense competition; manufacturing and market uncertainties; government regulation; product liability exposure and insurability.

CARDIOME

CARDIOME PHARMA CORP.
VANCOUVER
3650 Wesbrook Mall
Vancouver BC
Canada V6S 2L2

Tel: 604 677 6905
Fax: 604 677 6915
Toll Free: 1 800 330 9928
Website: www.cardiome.com

CARDIOME INC.
MIAMI
1111 Brickell Avenue
11th Floor Suite 1113
Miami, FL 33131 USA

Tel: 305 913 7167
Fax: 305 913 4101
Toll Free: 1 800 330 9928

INVESTOR RELATIONS CONTACT:
Doug Janzen,
Chief Financial Officer
Tel: 604 677 6905
djanzen@cardiome.com